Winnipeg

2005 ANNUAL FINANCIAL REPORT

City of Winnipeg Facts

COMMUNITY VISION STATEMENT

"To be a vibrant and healthy city which places its highest priority on quality of life for all its citizens."

CITY GOVERNMENT

- $1.3 billion budget (2005 capital, operating and utilities)
- Mayor and 15 members of Council
- 8,749 City employees

CITY POPULATION AND SIZE

- 650,100 residents, 7th largest city in Canada
- City area, 475 square kilometres
- 60% of the population of Manitoba live in the capital city Winnipeg
- City Centre is Portage and Main, one of Canada's most famous intersections
- The Exchange District, a vintage 1900's warehouse area, is a National Historic Site
- Home to North America's only cable-stayed pedestrian bridge with a restaurant in the middle

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Winnipeg

TABLE OF CONTENTS

1

INTRODUCTORY SECTION

- Message from the Mayor 2
- 2005 City Council 3
- Message from the Chief Administrative Officer 4
- 2005 Senior Administrators 5
- Winnipeg's Economic Profile 6
- Service Highlights 8
- Key City Contacts 10

FINANCIAL SECTION

- Financial Statement Discussion and Analysis 12
- Responsibility for Financial Reporting 18
- Auditors' Report 19
- Consolidated Financial Statements 20
- Five-Year Review 37

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MESSAGE FROM THE MAYOR

This June will mark the end of my second year as Mayor. I'm proud to have worked with councillors and administrators through these years to attack challenges that Winnipeg has pushed aside for too long.

Crime has always been a troubling problem on Winnipeg's streets – and so we're investing more in our Police Service, hiring 48 new officers and boosting the Service's overtime budget. We can now use those staff resources more effectively, thanks to a new contract with the Winnipeg Police Association with room to deploy police more aggressively for projects like "Operation Clean Sweep." We've also put more firefighters and more paramedics on Winnipeg's streets.

For years, City Hall has talked about the need to address our infrastructure deficit. This year was also a year of transition in infrastructure, as we moved from debate to action. Winnipeg will see a 110% increase in road maintenance, new investments in on-street transit, and major investments in our waterworks. These investments were made possible with a tighter focus in our capital budgeting, more support from the provincial government, and the successful negotiation of a gas tax deal with Ottawa that is tailored to Winnipeg's infrastructure needs.

None of this would be possible without a strong economy, and Winnipeg's economy is in solid shape. To keep it that way, we've frozen property taxes for the ninth year in a row, frozen business tax revenue, and capped assessment-related business tax increases at 15%. City Hall is paying for its new focus on frontline services with cuts to administrative costs, reduced management and restraint in consulting costs. Our decision to sell or lease Glacial Sand and Gravel and contract out all remaining solid waste pickup will give us more financial room for frontline services this year, and for years to come.

And our budget is a better financial plan, too. New reserves for summer recreation facilities and insect control will make budgets more predictable. Budgets for fire overtime, photo radar revenue and fuel reflect fiscal realities, not just fiscal hopes.

I hope Winnipeggers in the future will be able to look back on this year as the year we built a solid foundation in financial and service policy. Winnipeggers have known for years that we needed that foundation – and with it built, we'll be ready to build higher, and accelerate our momentum as we reclaim our destiny as a City of Opportunity.

Yours sincerely,

Sam Katz

Sam Katz, Mayor of the City of Winnipeg

2005 City Council

2005 COUNCIL

MAYOR SAM KATZ

JOHN ANGUS, St. Norbert Ward (until March 4, 2005)

DONALD BENHAM, River Heights - Fort Garry Ward

BILL CLEMENT, Charleswood - Tuxedo Ward
- Chairperson, Standing Committee on Fiscal Issues (until Nov. 2, 2005)
- Chairperson, Standing Policy Committee on Infrastructure Renewal and Public Works (commencing Nov. 2, 2005)

PETER DE SMEDT, St. Charles Ward
- Chairperson, Standing Policy Committee on Downtown Development (until Nov. 2, 2005)
- Chairperson, Standing Policy Committee on Property and Development

JAE EADIE, St. James - Brooklands Ward
- Chairperson, Standing Policy Committee on Public Works (until Nov. 2, 2005)
- Speaker (commencing Nov. 2, 2005)

JENNY GERBASI, Fort Rouge - East Fort Garry Ward

HARRY LAZARENKO, Mynarski Ward
- Deputy Speaker
- Chairperson, Riverbank Management Committee

MARK LUBOSCH, North Kildonan Ward
- Secretary of Urban Environmental Strategies

FRANCO MAGNIFICO, St. Boniface Ward
- Chairperson, Red Tape Commission
- Chairperson, Standing Policy Committee on Downtown Development (commencing Nov. 2, 2005)
- Chairperson, Alternate Service Delivery (until Nov. 2, 2005)
- Chairperson, Kansas City Economic Partnership Committee

MIKE O'SHAUGHNESSY, Old Kildonan Ward
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MICHAEL PAGTAKHAN, Point Douglas Ward
- Deputy Mayor
- Secretary of Urban Aboriginal Opportunities (commencing Nov. 2, 2005)
- Youth Ambassador

HARVEY SMITH, Daniel McIntyre Ward

GORD STEEVES, St. Vital Ward
- Acting Deputy Mayor
- Chairperson, Standing Policy Committee on Protection and Community Services

JUSTIN SWANDEL, St. Norbert Ward (commencing April 27, 2005)
- Chairperson, Alternate Service Delivery (commencing Nov. 2, 2005)

LILLIAN THOMAS, Elmwood- East Kildonan Ward
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RUSS WYATT, Transcona Ward
- Chairperson, Rapid Transit Review Task Force

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- Chairperson, Rapid Transit Review Task Force

MESSAGE FROM THE CHIEF ADMINISTRATIVE OFFICER

I am pleased to present The City of Winnipeg's Annual Financial Report for 2005. It records, and reflects, the progress the City has made in achieving City Council's key goals. It reflects a vision of Winnipeg as a city of diversity, vitality, and opportunity – a vision that staff are working hard to help Council achieve.

As a City, we believe strongly in providing affordable, accountable service to citizens. In 2005, Council cut business tax downtown by 20%, froze property taxes, increased funding for police services, provided transit discounts for seniors, and maintained frontline services. The 2005 Capital Budget continued the City's pay-as-you-go strategy, foregoing the assumption of any new tax-supported external debt for the next six years.

The City is continuing to make fiscal progress. Winnipeg's net tax-supported debt has been reduced by 43% since 1999, resulting in lower debt servicing costs. In November 2005, Moody's Investors Service maintained the City's credit rating at Aa2; in October 2005, Standard & Poor's had maintained this rating at AA. Standard & Poor's identified the City's strengths as:

- robust liquidity provided from increased cash and investment holdings
- moderate and stable direct debt burden
- strong financial results in recent years
- a lengthy record of solid economic performance

The City's three-year budget (from 2004-2006) received the Government Finance Officers' Association Budget Award. Looking ahead, the City continues to improve its affordability with enhanced use of information technology, and the identification of internal economies. At the same time, the City is maintaining a high standard of service to citizens, in keeping with Council's priorities and the goals of *Plan Winnipeg*.

Winnipeg is becoming a more appealing place to do business, as the City continues to implement recommendations of the final report of the Mayor's Red Tape Commission. The Permits X-Press Improvement Project is streamlining approval processes and making service more accessible to customers of our Planning, Property, and Development Department.

Winnipeggers have long identified quality of life as a goal that defines our community. It is a goal in which the City continues to invest. In 2005, the new Millennium Library opened its doors, a great community resource, and a landmark for generations to come.

We are becoming an even cleaner, even greener city. In 2005, recycling reached an all-time high, of over 42 million kilograms. Work on a new, state-of-the-art water treatment plant is continuing, with completion anticipated in 2008. Last summer, as well, Winnipeg received a "Communities in Bloom" national award, of which we are very proud.

We continue to promote excellence in all areas of service provision, from police and fire paramedic services to transit and the zoo. Through the Winnipeg Housing and Homelessness Initiative, the City facilitated the establishment of 380 dwelling units in 2005, many of which were in the downtown. Improving the quality of life for all our citizens, in every part of the city, is a responsibility we embrace with enthusiasm.

In 2006, we look forward to building on the fiscal progress we have made, serving citizens better, and doing our part to make Winnipeg the vibrant, healthy and prosperous city *Plan Winnipeg* envisions.

Annitta Stenning

Annitta L. Stenning, Chief Administrative Officer

2005 Senior Administrators

2005 SENIOR ADMINISTRATORS

ANNITTA L. STENNING
Chief Administrative Officer

ROBERT P. GANNON
Chief Financial Officer

CLIFF JEFFERS
Chief Information Officer
Acting Chief of Human Resources and Corporate Services

JACK EWATSKI
Chief, Winnipeg Police Service

HARRY FINNIGAN
Director, Planning, Property and Development

BILL LARKIN
Director, Public Works

BARRY MacBRIDE
Director, Water and Waste

BRIAN MOORE
City Assessor

WES SHOEMAKER
Chief, Winnipeg Fire Paramedic Service

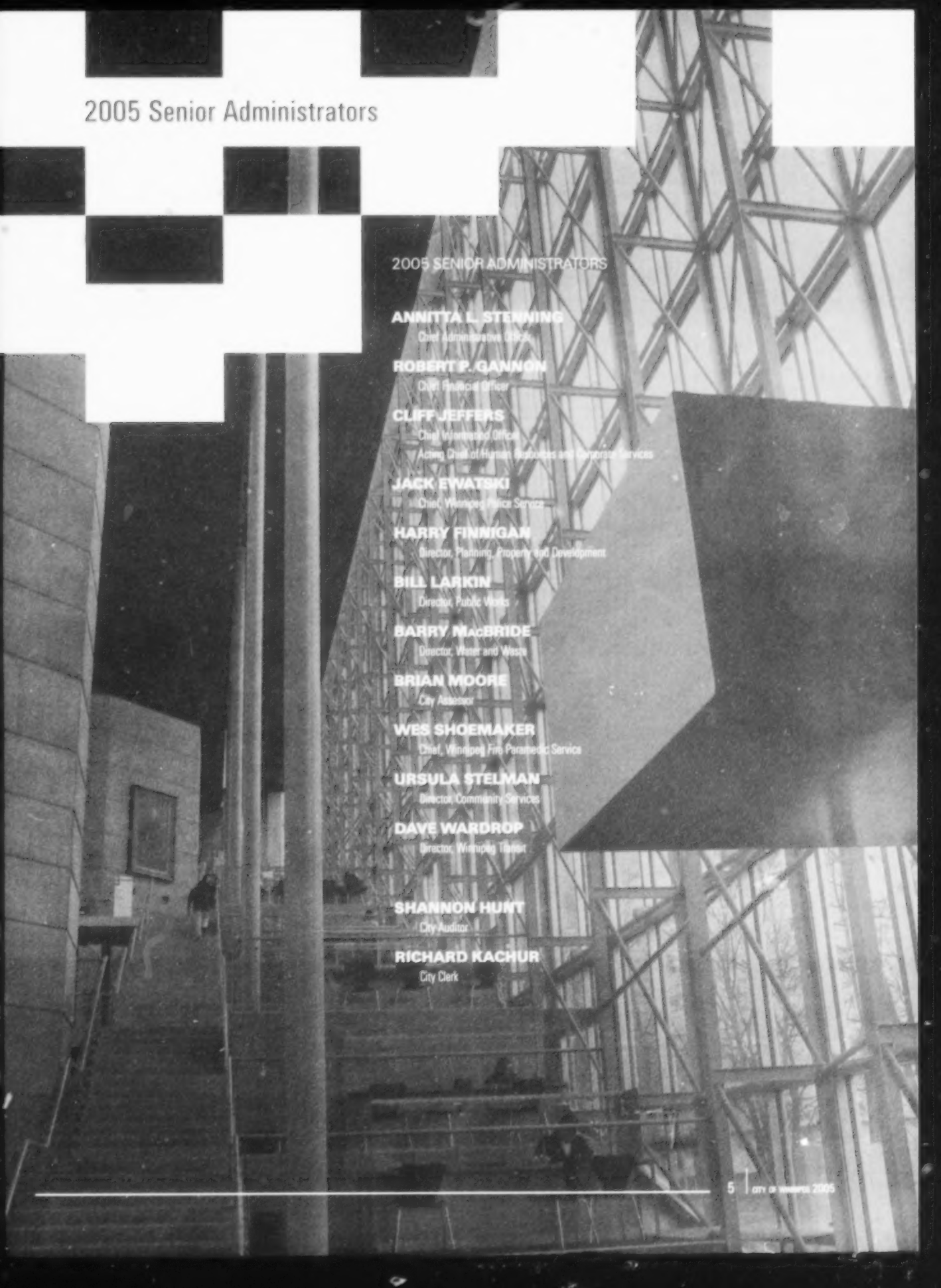
URSULA STELMAN
Director, Community Services

DAVE WARDROP
Director, Winnipeg Transit

SHANNON HUNT
City Auditor

RICHARD KACHUR
City Clerk

2005 Senior Administrators



2005 SENIOR ADMINISTRATORS

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Chief Administrative Officer

ROBERT P. GANNON
Chief Financial Officer

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Chief, Winnipeg Police Service
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RICHARD KACHUR
City Clerk

WINNIPEG AND ITS ECONOMY

HISTORY AND DIVERSITY

Located at the geographic centre of Canada, Winnipeg is a culturally diverse city with over 100 languages spoken. It is a city rich in history. Once a centre for the fur trade, it has been a hub for commerce and transportation for more than 6,000 years. Winnipeg was permanently settled by colonists in 1812 but it was not until 1873 that it was finally incorporated as a city.

Today, Winnipeg is characterized as having one of the most diverse economies in Canada. In comparing economic diversities, the Conference Board of Canada rates Winnipeg at 0.93 out of 1.00, with the average of Canadian cities at 0.81. As a result the city has avoided large economic upswings or downturns while generating modest yet sustained growth.

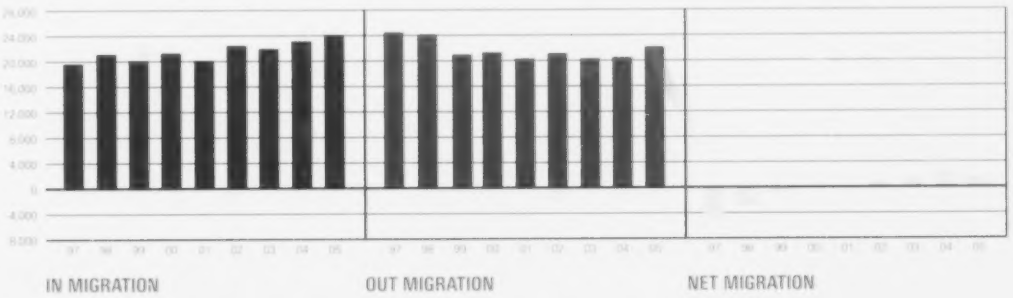
POPULATION GROWTH

Over the last six years (2000-2005) Winnipeg's population has grown by 16,000 or 2.5%.

With a current population of 650,100, Winnipeg will continue to experience modest population growth relative to other large Canadian cities. The population growth is primarily due to migration, a significant increase in immigration as well as a significant reduction in inter-provincial migration. It is forecasted that total provincial immigration will reach 10,000 people in 2006. Historically, Winnipeg is destination to about 80% of immigrants to Manitoba.

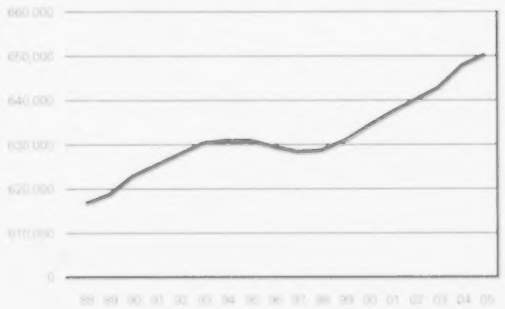
TOTAL MIGRATION: IN, OUT AND NET

Winnipeg is experiencing a significant change. There are now more people moving to Winnipeg than leaving. In 1997, Winnipeg lost about 5,000 people due to migration (on a net basis), while in 2005, Winnipeg experienced a net gain of almost 1,700 people.



Source: Statistics Canada - CANSIM, February 2006. Data for Census Division 11 (City of Winnipeg plus Headingley)

REVISED POPULATION ESTIMATES
REFLECT RENEWED GROWTH



Source: Statistics Canada. New data released December 2005 which revised population data for cities by factoring in the 2001 Census data. Data revised back to the previous Census (1996). City of Winnipeg data calculated by subtracting Headingley census count from Census Division 11.

STRONG HOUSING DEMAND

With a projected population increase of 100,000 people over the next 22 years, the demand for housing will continue. It is estimated that 40,000 to 45,000 additional dwellings will need to be constructed to meet the housing demand.

"Housing markets in Winnipeg are being bolstered by population and household growth thanks in part to a recent turnaround in net migration to the city. As well, low unemployment and favourable mortgage rates are fueling demand for homeownership."

CMHC, Housing Now, Dec. 2004

A GOOD PLACE TO DO BUSINESS

Over the next five years, Winnipeg's economy is expected to perform well, resulting in the creation of an additional 35,000 jobs.

A 2004 study by KPMG showed Winnipeg has among the lowest overall business costs of major cities. In all 17 industries studied by KPMG, Winnipeg was more cost competitive than the average. *Canadian Business* rated Winnipeg in the top 10 Canadian cities to do business in their latest two business cost surveys in 2003 and 2004.

WINNIPEG'S PROPERTY TAXES ARE IN THE MID TO LOW RANGE OF OTHER CANADIAN CITIES:

Winnipeg's median ranking out of 11 large Canadian cities:

- 4th lowest for total property taxes
- 5th lowest for municipal property taxes
- 6th lowest for municipal property taxes and municipal utilities
- 2nd lowest for Municipal property taxes and all utilities

(Source: 2005 Edmonton residential property tax survey)

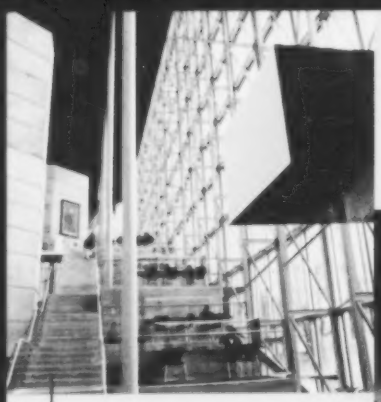
ECONOMIC INDICATORS

- Winnipeg's GDP in 2005: $22 billion
- Winnipeg has 60% of Manitoba's population and generates 65% of the province's total economic output
- City of Winnipeg's building permit values: $656 million
- Labour Force: 394,000

WINNIPEG'S MAJOR ECONOMIC STRENGTHS:

Winnipeg's steady and consistent economic growth is based on the foundation of business diversity. Key industries include:

- transportation and distribution, home to over 2,000 transportation related companies
- aerospace industry, the third largest in the country
- agribusiness, global expertise in the marketing of grain and oilseeds
- finance and insurance, contributing $4 billion annually to the local GDP
- health industries and biotechnology, the fastest growing industry in the city
- a multinational media corporation and a fast growing telecommunications industry
- a diverse manufacturing sector specializing in aerospace materials, buses and farm machinery, building products, furniture, apparel, electronics, pharmaceuticals, plastics, and processed foods



The downtown Millennium Library opened November 8, 2005 after a $20.7 million expansion and renovation.

The city's flagship bridge, Esplanade Riel, joins the French quarter, St. Boniface, with the Downtown.

The award winning Valour Road commemorative plaza opened in 2005 to honour Winnipeg's Victoria Cross soldiers.

For the third time, Winnipeg won a Communities in Bloom award given to cities for their efforts in beautification.

CITIZENS FIRST: SERVICE HIGHLIGHTS FROM 2005

■ The City of Winnipeg is committed to citizen engagement, and to this end the City Clerk's Department regularly convenes more than 24 public meetings per month in support of the municipal decision making process.

■ All municipal decision making documents including Agendas, Minutes, Dispositions, Council By-laws and Hansard, can be accessed on the Internet at: www.winnipeg.ca/CLKDMIS. Since the initial launch of this e-service in 2001, there have been more than 450,000 hits by 11,500 unique visitors annually.

■ The City of Winnipeg receives and responds to some 300 requests for information annually, through The Freedom of Information and Protection of Privacy Act.

■ The goal of the Winnipeg Fire Paramedic Service is to get the first responding personnel for either fire or medical calls to the scene in four minutes or less, 90% of the time. Continuous improvements in dispatch procedures and response equipment and protocols are helping to ensure that this goal is met. In 2005 there were approximately 49,800 calls for service for fire apparatus and 69,000 calls for ambulance service. Actual fires were approximately 3,380 of all types, and ambulances transported 50,430 patients to hospital.

■ Assiniboine Park Conservatory, Horticultural Operations, maintains approximately 500,000 square feet of intensely landscaped, themed gardens. Approximately 175,000 square feet of planted flower gardens are installed and maintained each year.

■ Winnipeg Transit carried more than 39.9 million passengers in 2005. Winnipeg Transit travels over 25 million kilometres annually with a fleet of 535 buses and employs approximately 1,000 bus operators.

■ The Winnipeg Police Service was dispatched to more than 151,000 calls for service in 2005, translating into an average of 413 calls per day.

■ The Winnipeg Police Service continues to enjoy a great partnership with its volunteers. In 2005 there were 149 active volunteers who contributed 26,126 hours to police efforts.

■ The Assiniboine Park Zoo welcomed over 415,000 visitors in 2005. The Zoo is home to over 1,700 animals, representing 330 different species.

■ The City of Winnipeg offers a wide range of active living opportunities each year, including over 10,200 aquatic classes and 3,900 registered recreation and leisure programs. Additionally, various free recreation opportunities were provided in 2005, including over 35,300 hours of programming at children/youth sites and over 20,400 hours at wading pools. Attendance at the indoor and outdoor swimming pools was close to 1.4 million.

■ The Winnipeg Parking Authority operates three modern parkades and over 100 parking lots for a combined total of 5,130 parking stalls. The Parking Authority monitors 2,500 parking curb-side meters throughout the Downtown. More information is available at www.theparkingstore.winnipeg.ca.

■ There are 221 buildings or structures in Winnipeg that are designated as heritage in the "Buildings Conservation List". Of these, 135 are located in the Downtown.

The City is investing $43 million in new recreation facilities for citizens.

Bears on Broadway, sponsored by CancerCare Manitoba, saw the placement on Broadway Avenue of 62 concrete Polar Bears, created by Manitoba artists.

Manitoba Hydro is building a 22 storey state-of-the-art energy efficient office tower on Portage Avenue which is scheduled to open in late 2007.

Four downtown residential projects are currently underway on Waterfront Drive.

■ Winnipeg's 20 public libraries circulate over 5.2 million items annually to the 424,348 registered cardholders, including books, videos and CDs.

■ Winnipeg's spectacular downtown Millennium Library reopened in November 2005 following a $20.7 million renovation and expansion funded by the three levels of government and the Winnipeg Library Foundation. The Millennium Library received an Award of Excellence in design from *Canadian Architect magazine*.

■ There were over 730,000 visits to Winnipeg Public Library's website, where Winnipeggers can access the library's catalogue, place holds, renew material, ask a question, and search various on-line databases.

■ In 2005, the value of new construction permits issued by the City of Winnipeg was $397.7 million.

■ Planning, Property and Development announced 15 key Phase 2 improvements to its Permits X-Press project including: better application processes for commercial projects; better communication with applicants about the status of their application; and e-service improvements including the capability to use credit cards to take out permits online.

■ The Multiple Family Dwelling Grant Program allowed the redevelopment of vacant and boarded-up buildings and the establishment of 380 dwelling units in 2005. The City contributed over 70 vacant lots to Manitoba Housing Renewal Corporation (MHRC) for infill housing development in major improvement and rehabilitation areas. Funding to community groups through the tri-level Winnipeg Housing and Homelessness Initiative has seen the construction and renovation of 2,685 dwelling units since 2000.

■ The Real Estate division produced 174 sales transactions last year resulting in gross revenue of $5.8 million.

■ The City of Winnipeg has provided continuous interment services since 1878 at three cemetery locations within the boundaries of the city.

■ Field of Honour at the Brookside Cemetery is the third largest military interment site in Canada. It is the final resting place of almost 8,000 veterans from both of the World Wars, the Korean War and the Vietnam War.

■ The City of Winnipeg maintains over 3,100 kilo-metres of sidewalk; 1,700 lane kilometres of regional streets; and 5,000 lane kilometres of local streets.

■ The City of Winnipeg has nearly 200 bridges, from large street bridges to pedestrian foot bridges; one even has a restaurant in the middle.

■ The City of Winnipeg delivers an average of 221 million litres of water each day to homes through a network of about 2,400 kilometres of water mains.

■ Approximately 5,000 kilometres of sewers service Winnipeg. About 123 billion litres of wastewater is treated at the City's three wastewater plants annually.

■ The City of Winnipeg Property Assessment Department maintains detailed information on the almost 200,000 property parcels in the city.

■ The City's Golf Services Special Operating Agency owns 12 golf courses, nine of which are leased or contracted out and three operated by the City. There were 80,935 rounds of golf played at the three City operated courses in 2005.

Key City Contacts

MAYOR SAM KATZ
PHONE: (204) 986-2171
FAX: (204) 949-0566

ANNITTA L. STENNING, Chief Administrative Officer
PHONE: (204) 986-2323
FAX: (204) 949-1174

MICHAEL RUTA, Corporate Controller
PHONE: (204) 986-7986
FAX: (204) 944-1184

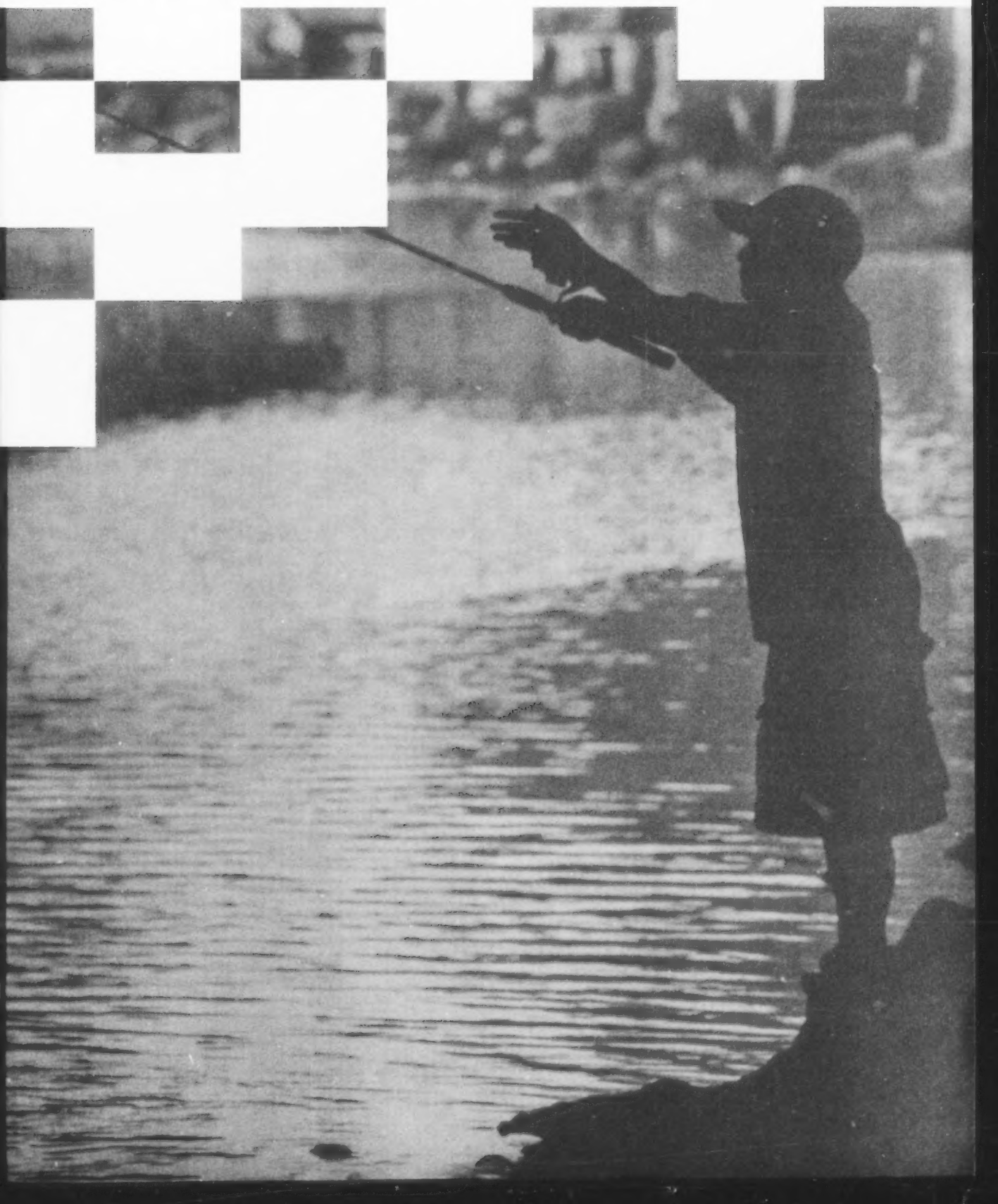
JO-ANNE FERRIER, City Treasurer
PHONE: (204) 986-2186
FAX: (204) 949-9301

URSULA GOERES, City Solicitor
PHONE: (204) 986-2408
FAX: (204) 947-9155

RICHARD KACHUR, City Clerk
PHONE: (204) 986-2428
FAX: (204) 947-3452

SHANNON HUNT, City Auditor
PHONE: (204) 986-2425
FAX: (204) 986-4134

CONSOLIDATED FINANCIAL STATEMENTS 2005



REPORT FROM THE CHIEF FINANCIAL OFFICER

Financial Statement Discussion and Analysis

I am pleased to present The City of Winnipeg's 2005 consolidated financial statements, which are prepared in accordance with Canadian generally accepted accounting principles. Management has also prepared the following Financial Statement Discussion and Analysis, which comments on the year's activity, and should be read along with the audited financial statements.

The consolidated financial statements include the assets, liabilities, revenues and expenses of the City's departments, special operating agencies, utilities, and corporations that the City owns or controls.

STATUS OF THE CITY OF WINNIPEG

Located at the junction of the Assiniboine and Red Rivers, Winnipeg is at the geographic centre of North America. It is the seventh largest city in Canada with a population of approximately 650,000, and it is the provincial capital of Manitoba. The City has the most diverse economy of major cities in Canada.

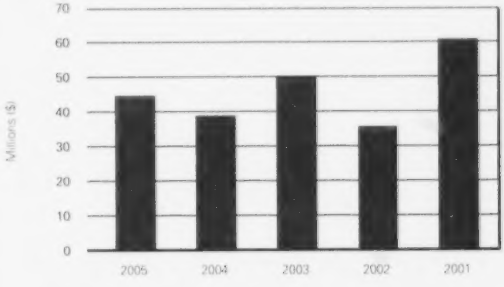
The City of Winnipeg was created on January 1, 1972 pursuant to **The City of Winnipeg Act**, a statute of the Legislature of the Province of Manitoba. It continued as a body corporate by virtue of the enactment of **The City of Winnipeg Charter** on January 1, 2003. The City employs approximately 8,700 staff and provides a wide variety of services to its citizens. Services offered include police, fire, ambulance, transit, water and sewage, to name a few.

RESULTS OF OPERATIONS

The Consolidated Statement of Operations and Net Assets reports the City's changes in economic resources, obligations, and net assets for 2005, on a comparative basis. As the annual excess of revenues over expenses was positive, it indicates that the revenues raised during the year were sufficient to cover costs.

During the year, The City of Winnipeg recorded revenues of $1,003.3 million (2004 - $968.9 million) and expenses of $958.8 million (2004 - $929.9 million). As a result, net assets increased by $44.7 million (2004 - $39.0 million). Consolidated revenues increased by $34.6 million in 2005 from 2004, due mainly to a $16.0 million increase in sales of services and regulatory fees and a $11.7 million increase in taxation. Sales of services and regulatory fees include revenue sources such as water and sewage services, transit fares, and ambulance services. Increased revenue was generated partially by sewer services rates that increased to 3.39 per 100 cubic feet from 3.11 per 100 cubic feet. Also, Transit increased its fares and ridership by 3% each during the year.

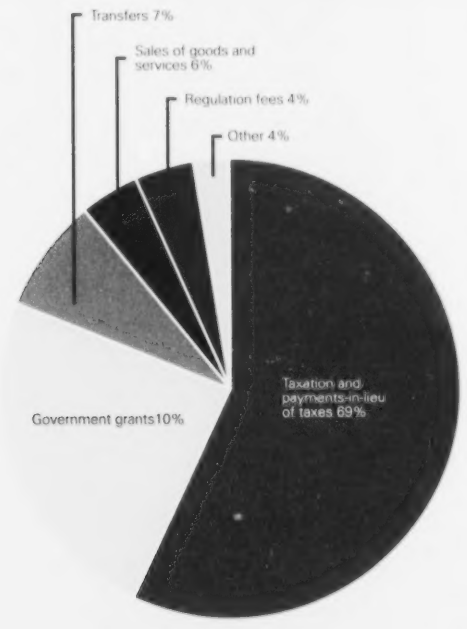
The major components of taxation revenue are property, business, local improvements, and electricity and gas tax. Municipal property tax revenue, excluding school property taxes, grew from its 2004 level of $366.2 million to $373.4 million as a result of assessment growth.



CONSOLIDATED EXCESS OF REVENUES OVER EXPENSES

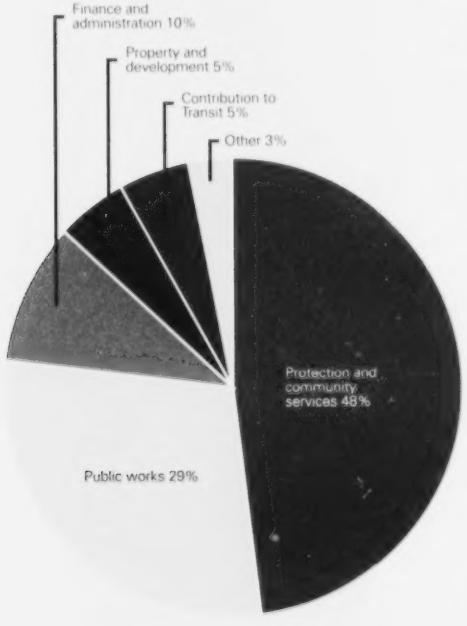
Consolidated expenses grew by $28.9 million from the previons year. This is comprised of increases and decreases to varions expense categories. The major increase resulted from an additional $13.2 million spent on public works operations primarily due to heavy snowfall levels and summer storms.

The consolidated financial statements include the activities recorded in the General Revenue Fund, which reports on property tax-supported operations. These operations consist of services such as police, fire, recreation, library, street maintenance and other general government activities. Tax-supported services are 52% (2004 - 52%) funded by municipal realty tax revenues.



GENERAL REVENUE FUND 2005 ACTUAL REVENUES

During 2005, the General Revenue Fund recorded revenues and expenses of $711.3 million (2004 - $697.7 million).



GENERAL REVENUE FUND 2005 ACTUAL EXPENSES

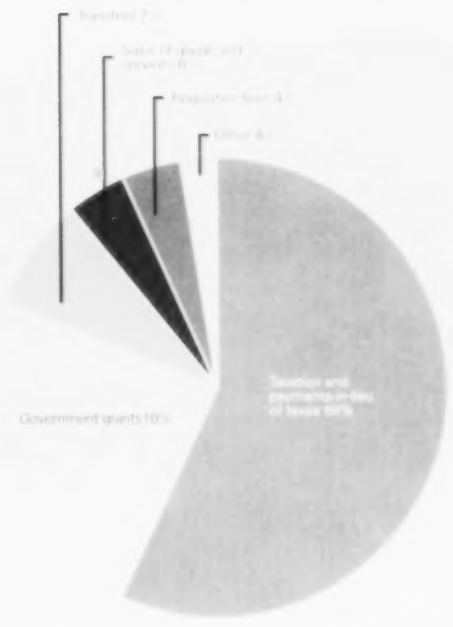
The budget for the property tax-supported operations was adopted by City Council on March 22, 2005. During the budget process the City faced several challenges to produce a balanced budget while maintaining its commitment to a competitive tax environment. These challenges included inflationary increases, maintaining service levels to meet program needs, and infrastructure maintenance and renewal requirements. The result was another approved budget with no increase to property taxes following eight years of reductions and freezes. Within the budget, funding for public safety remained a priority, as did continued fiscal restraint, while frontline essential services were maintained. The business tax rate for businesses located in the Downtown geographic area was reduced to 7.75%, while the rate for other businesses remained at its 1996 level of 9.75%.

During 2005, several unexpected events occurred that impacted the financial results of the City's property tax-supported operations. The City experienced high snowfall levels, an increased contribution to the Transit System Fund largely as a result of increased diesel fuel prices, and higher policing costs. These areas were identified early in 2005, which allowed City Council and the Administration to initiate a discretionary spending freeze and transfer surpluses from various funds.

FINANCIAL POSITION

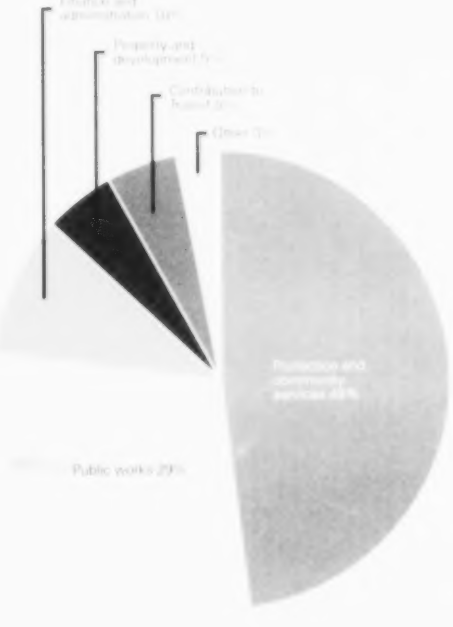
The Consolidated Statement of Financial Position reports the City's financial and non-financial resources, obligations and net assets as at December 31, 2005, on a comparative basis. This statement is used to evaluate the City's ability to finance its activities and to meet its liabilities and commitments.

An important indicator on the Statement of Financial Position is the City's reported net financial assets. This indicator is the difference between financial assets and liabilities, which provides an indication of the affordability of additional spending. As at December 31, 2005, the City was in a net financial asset position of $14.9 million (2004 - $8.7 million). The improved position is comprised of various positive elements including the increase in net revenues over expenses during the year.



GENERAL REVENUE FUND 2005 ACTUAL REVENUES

During 2005, the General Revenue Fund recorded revenues and expenses of $711.5 million (2004 – $697.7 million).



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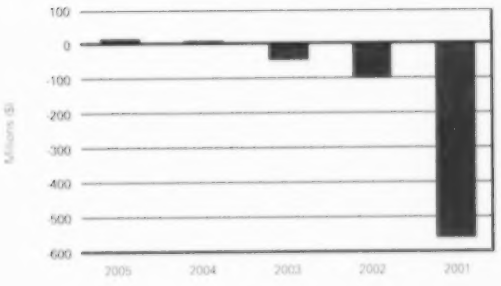
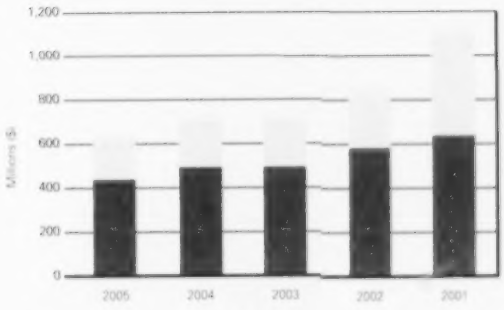
An important indicator on the Statement of Financial Position is the City's reported net financial assets. This indicator is the difference between financial assets and liabilities, which provides an indication of the affordability of additional spending. As at December 31, 2005, the City was in a net financial asset position of $44.9 million (2004 – $8.7 million). The improved position is comprised of various positive elements including the increase in net revenues over expenses during the year.



NET FINANCIAL ASSETS (LIABILITIES)



GROSS DEBT

Transit
Other
City-owned Utilities
Tax-supported

DEBT MANAGEMENT

The City of Winnipeg has several types of debt obligations. The largest component of debt is sinking fund debentures. Under **The City of Winnipeg Charter** the City is required to make annual payments towards the retirement of sinking fund debt. These annual payments are invested in government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures. By investing in bonds and debentures of investees that are considered to be high quality credits, the City reduces its credit risk. Credit risk arises from the potential for an investee to fail or to default on its contractual obligations.

During 2005 a sinking fund debenture originally issued in 1990 for $66.4 million at a rate of 11.7% matured and repayment in full was made from the Sinking Fund. By 2017, all of the outstanding sinking fund debt will mature. Repayment of debt will be made in full from the Sinking Fund except for $50.0 million that will become payable in 2009. This debenture will have a sinking fund shortfall of $31.0 million.

The City also has serial and installment debt that have varying maturities up to 2014 and carry a weighted average interest rate of 4.82% (2004 - 4.79%). Annual payments are made on both the principal and interest portion of the debt outstanding to investors. In addition, the City has guaranteed the payment of principal and interest on capital loans for several third parties totalling $7.3 million (2004 - $7.8 million). The City is confident that there will be no call for payment relating to these guarantees.

In 2005, Standard & Poor's and Moody's Investors Service advised the City that its credit rating would be maintained at AA and Aa2, respectively. These debt ratings contribute to the City's ability to access capital markets.

Beginning in 1998, the City adopted a policy of not issuing new tax-supported debt. Under its current capital plan, all new tax-supported projects are financed internally. As a result, the level of tax-supported debt decreased by $198.9 million from 1999, and is expected to decrease continuously over the next few years along with the associated debt-servicing costs. Within the utilities, the City anticipates issuing $115.3 million in debt over the next few years to finance a water treatment plant estimated to cost $230.1 million. The Water Treatment Reserve, which was established on December 17, 1993, has a balance at December 31, 2005 of $73.7 million (2004 - $93.2 million). It is anticipated this Reserve will fund a significant percentage of the cost for this project.

In addition, the 2005 utilities capital budget includes $137.6 million in debt over the next six year period to fund projects mandated by the Province of Manitoba through the Clean Environment Commission ("CEC"). During 2003 the CEC, at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's 30 year wastewater collection and treatment improvement

program. At the conclusion, the CEC recommended that the City implement these improvements over a 25 year period, which is estimated to cost $900 million. Partial funding for these improvements will be provided by the Environmental Projects Reserve, which has a balance at December 31, 2005 of $52.3 million.

CAPITAL EXPENDITURES

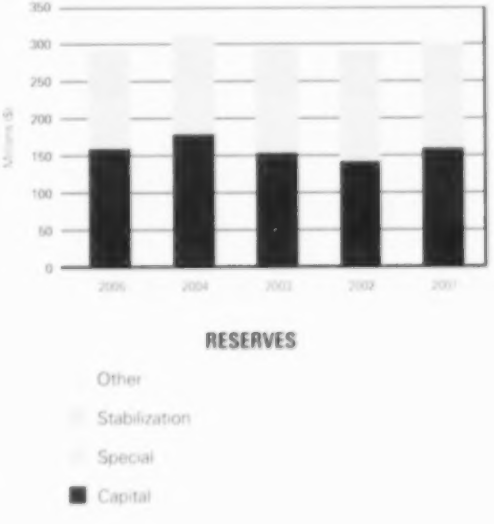
The challenge in creating a capital budget is balancing infrastructure needs, protecting the environment and fiscal responsibility. The 2005 capital budget and the 2006 to 2010 five-year forecast was adopted by Council on December 13, 2004 and revisions were approved on March 22, 2005. The capital investment plan committed $1.3 billion in spending over the next six years with $298.5 million in 2005. Priority was given to the renewal and improvement of existing infrastructure with continued commitment to pay-as-you-go financing and no external debt for tax-supported programs. Areas of major capital investment included in the six-year plan were $370 million for the sewage disposal system, $249 million for the water system, $243 million for the street system including bridges, and $109 million for the transit system.

During 2005, the City spent $182.9 million on capital projects (2004 - $143.3 million), which included $104.8 million for tax-supported projects. Spending on tax-supported projects was made primarily on residential streets, the Kenaston Underpass, completion of the Millennium Library and the Maryland Twin Bridges Rehabilitation. Capital projects were financed from several sources, with funding primarily from the City's current tax levies, various capital reserves, and grants from other levels of governments.

RESERVES

The City of Winnipeg builds reserves to meet specific future operating and capital expense requirements, and to provide for contingencies. Reserve balances have decreased by $22.8 million overall from the prior year. The City's Capital Reserves balances dropped by $19.9 million. In particular, the Water Treatment Reserve declined by $19.5 million as work started on the water treatment plant. The Capital Reserves were established to finance current and anticipated future capital projects, which reduce or eliminate the need to issue debt. Special Purpose Reserves, which were established to account for the use of designated revenue to fund expenditures such as the Snow Clearing Reserve, declined by $3.2 million.

Stabilization Reserves were created to offset the effect of major unexpected expenses or fund deficits recorded in the property tax-supported operating budget. During 2005, these Reserves increased by $1.7 million and are anticipated to grow until they reach a targeted level of 10% of the property tax-supported adopted budget expenses.



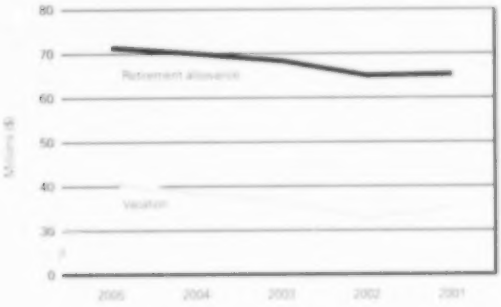
ACCOUNTING POLICIES

The significant accounting policies used in preparing the City's consolidated financial statements are summarized in Note 2 to these statements. The accounting policies section of the financial statements sets out management decisions concerning estimates that may significantly impact the City's financial results. The precision of these estimates and the likelihood of future changes depend on a number of underlying variables and a range of possible outcomes. The following is a discussion of these critical accounting estimates.

EMPLOYEE BENEFITS

The City provides pension and sick leave benefit plans for qualified employees. The cost of these employee

benefits are actuarially determined each year. These calculations use management's best estimate of a number of assumptions. The critical assumptions made by management are the long-term rate of investment return on plan assets, certain employee-related factors such as turnover, retirement age and mortality, salary escalation and the discount rate used to value liabilities. Management applies judgment in the selection of these assumptions, based on past experience and on forecasts of future economic and investment conditions.



RETIREMENT ALLOWANCE AND VACATION LIABILITIES

As these assumptions relate to factors that are long term in nature, they are subject to a degree of uncertainty. Differences between actual experience and the assumptions, as well as revisions to the assumptions resulting from changes in future expectations, may lead to adjustments to the City's pension and sick leave benefits expense in future years.

The City has a number of pension plans. The two major plans are The Winnipeg Civic Employees' Pension Plan and The Winnipeg Police Pension Plan. Both Plans have funding surpluses that allow the City to take advantage of decreased contributions to the Plans.

The Winnipeg Civic Employees' Pension Plan is similar to a defined contribution pension plan, the terms of which eliminate the City's exposure to future unfunded liabilities. The Plan is a multi-employer contributory plan governed by an independent board of directors. The Police Plan is a defined benefit plan with the City being responsible for unfunded liabilities. The funded surpluses of the Plans are not recorded on the City's consolidated financial statements.

ENVIRONMENTAL LIABILITIES

The City is responsible for future landfill closure and post closure care requirements defined in accordance with the **Environmental Act**. In determining the City's environmental liability management has estimated the total cost to cover and landscape the landfill along with site maintenance, available site capacity, and remaining life. The liability is measured on a discounted basis using the long-term cost of borrowing at year-end.

TANGIBLE CAPITAL ASSETS

The City has historically recorded tangible capital assets to match corresponding outstanding debt, equity allocated internally and from reserves for the purchase of these assets. Tangible capital assets are amortized at an amount equal to the principal repayments of the debt.

In April 2003, the Public Sector Accounting Board ("PSAB") approved a research project on accounting and reporting non-financial assets of local government. On March 9, 2006, PSAB issued an exposure draft, which if approved, would require local governments to record and amortize capital assets. At this time, the impact of the exposure draft on the City's financial statements is not determinable.

ORGANIZATIONAL CHANGES

On January 1, 2005, Winnipeg Parking Authority, a new Special Operating Agency ("SOA"), commenced operations. Its focus is on providing, maintaining, and optimizing the use of fee-based on-street and off-street parking, as well as the ongoing monitoring and management of municipally-owned parking spaces across the city.

There are four other SOAs operating within the City's organization including, Animal Services (2000), Glacial Sand and Gravel (2001), Winnipeg Golf Services (2002), and Fleet Management (2003). SOAs provide services as special units of the City. They are granted more direct responsibility for results and increased management flexibility needed to attain planned levels of performance.

SOAs have been given the authority to provide direct public services, internal services, or regulatory and

enforcement programs. SOA status is granted when it is in the City's interest that they remain within the government but require greater freedom to manage in a more business-like manner. Each SOA is governed by its own operating charter and prepares an annual business plan for adoption by City Council.

Effective March 31, 2005, Winnipeg Enterprises Corporation ("WEC") wound-down its operations and is being managed by The City of Winnipeg. WEC owned the Winnipeg Arena and the Winnipeg Stadium. In 2004, the MTS Centre commenced operations and the Arena was scheduled for demolition and the land was sold.

FINANCING INFRASTRUCTURE

As with other municipalities in North America, the City of Winnipeg is experiencing a decline in the condition of its infrastructure. The City undertook a comprehensive review of its infrastructure and found that there is a considerable deferred maintenance component of the infrastructure that will require future consideration. On November 18, 2005, an "Agreement on the Transfer of Federal Gas Tax Revenues" was signed between The Governments of Canada and Manitoba. The agreement provides stable, reliable and predictable funding to the City for environmentally sustainable infrastructure. Eligible projects include public transit, water, wastewater, and solid waste. The 2006 six-year capital plan reflects $101.2 million from the federal government, which represents the City's share of the federal gas tax revenue.

CONTROLS AND PROCEDURES

Over the past year a number of reviews were conducted by the City Auditor. Reviews included an audit of the City's purchasing card system, the photo radar program and SOAs. Administration considers all internal control recommendations seriously and balances the cost of implementation against available resources and the extent of controls required to mitigate potential areas of concern. The City has a satisfactory level of controls required to ensure the accuracy of its financial statements.

LOOKING FORWARD

On February 21, 2006, City Council approved the 2006 Capital Budget and the 2007 to 2011 Five-Year Forecast. This six-year plan includes $87.0 million of funding from the senior levels of government through the Canada Strategic Infrastructure Fund, which will go toward completion of the Kenaston Underpass project, three pollution control centres and recreation and leisure facilities. The plan also anticipates the federal government will provide $28.7 million under Bill C-66 over 2007 to 2008. In addition, the Province of Manitoba has continued with its commitment to fund capital projects through the new framework of the Building Manitoba Fund with approximately $59.6 million dedicated for roads and transit over the next 6 years. The City will also be working with the Province to select projects for funding under the new Manitoba/Winnipeg Infrastructure Program - formerly Urban Capital Project Allocation - totalling $70.0 million over six years.

On March 21, 2006, City Council approved the 2006 operating budget. The 2006 mill rate was reduced from 29.686 to 25.448 to reflect the recent general assessment. As a result 2006 property tax revenue will remain at 2005 levels, after adjusting for new assessable properties. Consequently, there will be nine years of property tax freezes or reductions. The City's business tax rate remained fixed at the 2005 level of 7.75% for the Downtown geographic area, while being frozen at the 1996 level for areas outside the downtown. In addition, all increases in business taxes resulting from the 2006 general assessment will be limited to 15%. As a result the 2006 business tax revenue will remain at its 2005 level.

In closing, I would like to thank all those who contributed to the preparation of these financial statements.

Robert P. Gannon, Chief Financial Officer

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of Winnipeg. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to Council, the Consolidated Financial Statements are reviewed and approved by the Audit Committee - the Mayor, the Deputy Mayor, and the chairpersons of Council's Standing Committees. In addition, the Audit Committee meets periodically with management and with both the City's internal and external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to external and internal auditors.

Ernst & Young LLP, Chartered Accountants, as the City's appointed external auditors, have audited the Consolidated Financial Statements. The Auditors' Report is addressed to the Mayor and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of operations of the City in accordance with Canadian generally accepted accounting principles.

Robert P. Gannon, Chief Financial Officer

AUDITORS' REPORT

To the Mayor and Members of City Council of
The City of Winnipeg

We have audited the consolidated statement of financial position of **The City of Winnipeg** as at December 31, 2005 and the consolidated statements of operations and net assets, cash flows and change in net financial assets for the year then ended. These consolidated financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of **The City of Winnipeg** as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
April 7, 2006

Ernst & Young
Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (in thousands of dollars)

	2005	2004 (RESTATED NOTE 21)
FINANCIAL ASSETS		
Cash and short-term investments	$ 430,457	$ 551,697
Accounts receivable (Note 3)	136,764	142,541
Investments (Note 4)	349,943	368,019
	917,164	1,062,257
LIABILITIES		
Notes payable (Note 5)	137,570	250,777
Accounts payable and accrued liabilities (Note 6)	138,730	129,939
Deferred revenue	6,723	9,408
	283,023	390,124
Debt (Note 7)	447,857	494,840
Other liabilities (Note 8)	41,813	44,579
Retirement allowance, compensated absences and other liabilities (Note 9)	129,607	123,969
	902,300	1,053,512
NET FINANCIAL ASSETS	14,864	8,745
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	942,408	903,714
Inventories	14,457	13,699
Prepaid expenses	2,996	3,909
	959,861	921,322
NET ASSETS	$ 974,725	$ 930,067
Commitments and contingencies (Notes 11, 14 and 15)		
Comprised of		
Surplus (Note 12)	$ 681,041	$ 613,599
Reserves (Note 13)	293,684	316,468
	$ 974,725	$ 930,067

See accompanying notes to the consolidated financial statements

Approved on behalf of the Audit Committee

Sam Katz – Mayor

Mike O'Shaughnessy – Chairperson, Fiscal Issues Committee

CONSOLIDATED STATEMENT OF OPERATIONS AND NET ASSETS

For the years ended December 31 (in thousands of dollars)

	2005	2004
		(RESTATED NOTE 21)
REVENUES		
Taxation (Note 14)	$ 503,397	$ 491,698
Sales of services and regulatory fees (Note 15)	344,207	328,206
Government grants and transfers (Note 16)	102,509	94,100
Interest	41,681	44,638
Land sales and other revenue	11,697	10,241
Total Revenues	1,003,491	968,883
EXPENSES (Note 17)		
Protection and community services	303,985	300,646
Public works	227,617	214,463
Utility operations	218,855	217,171
Property and development	62,126	53,675
Finance and administration	61,538	65,425
General government	56,068	47,324
Civic corporations	28,644	31,214
Total Expenses	958,833	929,918
Excess Revenues Over Expenses	44,658	38,965
NET ASSETS, BEGINNING OF YEAR	930,067	891,102
NET ASSETS, END OF YEAR	$ 974,725	$ 930,067

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31 (in thousands of dollars)

	2005	2004 (RESTATED NOTE 21)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess Revenues Over Expenses	$ 44,658	$ 38,965
Non-cash charges to operations		
Amortization	78,178	76,214
Other	3,917	6,660
Working capital from operations	126,753	121,839
Net change in working capital other than cash assets	11,073	(11,979)
Cash provided by operating transactions	137,826	109,860
CAPITAL		
Acquisition of tangible capital assets (Note 10)	(138,749)	(96,920)
Government of Canada capital grants	6,814	6,089
Province of Manitoba capital grants	14,871	35,974
	(117,064)	(54,857)
FINANCING		
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(9,520)	(9,208)
Debenture and serial debt retired	(87,292)	(49,216)
Sinking fund investments applied to debt redemption	66,424	32,985
Sinking fund debenture installments	(16,038)	(17,899)
Serial debt issued	-	46,392
Other	(549)	(3,470)
	(46,975)	(416)
INVESTING		
Sale (purchase) of investments	18,180	(1,744)
(Decrease) increase in cash assets	(8,033)	52,843
CASH ASSETS, BEGINNING OF YEAR	300,920	248,077
CASH ASSETS, END OF YEAR	$ 292,887	$ 300,920
COMPONENTS OF CASH ASSETS		
Cash and short-term investments	$ 430,457	$ 551,697
Notes payable	(137,570)	(250,777)
	$ 292,887	$ 300,920

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the years ended December 31 (in thousands of dollars)

	2005	2004
EXCESS REVENUES OVER EXPENSES	$ 44,658	$ 38,965
Amortization of tangible capital assets	78,178	76,214
Province of Manitoba grants for capital asset purchases	14,871	35,974
Government of Canada grants for capital asset purchases	6,814	6,089
Change in other non-financial assets	347	(1,620)
Acquisition of tangible capital assets (Note 10)	(138,749)	(96,920)
INCREASE IN NET FINANCIAL ASSETS	6,119	58,702
NET FINANCIAL ASSETS (LIABILITIES), BEGINNING OF YEAR	8,745	(49,957)
NET FINANCIAL ASSETS, END OF YEAR	$ 14,864	$ 8,745

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2005 (in thousands of dollars, except as noted)

1. Status of The City of Winnipeg

The City of Winnipeg ("the City") is a municipality which was created on January 1, 1972 pursuant to **The City of Winnipeg Act**, a statute of the Legislature of the Province of Manitoba ("the Province"). The City continued as a body corporate by virtue of the enactment by the Province of **The City of Winnipeg Charter** on January 1, 2003. The City provides municipal services such as police, fire, ambulance, public works, urban planning, parks and recreation, library and other general government operations. The City owns and operates a number of public utilities, has designated reserves and provides funding support for other financial entities involved in economic development, recreation, entertainment, convention, tourism and housing activities.

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized as follows:

a) Consolidation principles and basis of presentation

The consolidated financial statements of the City include the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon ownership or control exercised by the City. Interfund and intercorporate balances and transactions have been eliminated except for amounts related to services offered commercially including utility charges. In 2005, one new fund (*) was added.

The consolidated financial statements include the following:

Capital Reserves:
- Waterman Renewal Reserve
- Combined Sewer Renewal Reserve
- Wastewater Sewer Renewal Reserve
- Water Treatment Reserve
- Environmental Projects Reserve
- Brady Landfill Site Rehabilitation Reserve
- Golf Course Reserve
- Library Reserve
- Transit Bus Replacement Reserve
- Concession Equipment Replacement Reserve
- Computer Replacement Reserve
- Aqueduct Rehabilitation Reserve

Special Purpose Reserves:
- Workers Compensation Reserve
- Perpetual Maintenance Fund – Brookside Cemetery
- Perpetual Maintenance Fund – St. Vital Cemetery
- Perpetual Maintenance Fund – Transcona Cemetery
- Insurance Reserve
- Contributions in Lieu of Land Dedication Reserve

Special Purpose Reserves: (continued)
- Land Operating Reserve
- Recreation Programming Reserve
- Snow Clearing Reserve
- Idea Bank Reserve
- Commitment Reserve
- Heritage Investment Reserve
- Housing Rehabilitation Investment Reserve
- Economic Development Investment Reserve
- Assiniboine Park Enterprise Reserve
- General Purpose Reserve
- Multi-Family Dwelling Tax Investment Reserve

Stabilization Reserves:
- Fiscal Stabilization Reserve
- Mill Rate Stabilization Reserve

Other Funds:
- General Capital Fund
- General Revenue Fund
- General Revenue Enterprises Fund
- Equity in Capital Assets
- Transit System
- Waterworks System
- Sewage Disposal System

Other Funds: (continued)
- Solid Waste Disposal
- Equipment and Material Services
- Civic Accommodations Fund
- Building Services Fund
- Animal Services – Special Operating Agency
- Glacial Sand and Gravel – Special Operating Agency
- Golf Services – Special Operating Agency
- Fleet Management – Special Operating Agency
- Winnipeg Parking Authority – Special Operating Agency*

Other Entities:
- Winnipeg Public Library Board
- The Convention Centre Corporation
- Destination Winnipeg Inc.
- Winnipeg Enterprises Corporation
- Winnipeg Housing Rehabilitation Corporation (March 31st Year End)
- CentreVenture Development Corporation

The employees' pension and group life insurance funds of the City are administered on behalf of the pension and group life insurance plan participants by the Board of Trustees of the Winnipeg Civic Employees' Benefits Program (Pension Fund) for the payment of pensions and life insurance benefits and accordingly are not included in the consolidated financial statements. In addition, certain trust funds administered by the City, amounting to $0.3 million (2004 - $0.3 million), are not included in the consolidated statement of financial position nor have their operations been included in the consolidated statements of operations and change in net financial assets.

Separate financial statements for each of the above-noted entities, including the pension, group life insurance and trust funds, are included in the 2005 Detailed Financial Statements Report, a companion document to the City's 2005 Annual Report and Consolidated Financial Statements.

2. Summary of Significant Accounting Policies (continued)

b) Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

c) School taxes

The City is required by **The Public Schools Act** to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of school boards are not reflected in these consolidated financial statements.

d) Short-term investments

Short-term investments consist of bankers' acceptance and term deposits and are recorded at cost, which approximates their quoted market value. These investments have varying maturities up to March 30, 2006, and have an effective average interest rate of 3.3% (2004 - 2.6%).

e) Investments

Bonds and debentures are carried at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

Bond residues and coupons are carried at cost, plus accrued interest. Interest is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

f) Assessment appeal costs

The City accrues a liability to reflect the amount of future payments related to the assessment period, net of certain assessments, which will be deferred and amortized over the balance of the reassessment period.

g) Solid waste landfills

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites' capacity is used.

h) Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance with environmental legislation and costs can be reasonably determined. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

i) Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

j) Employee benefit plans

The costs of pensions and other retirement benefits are actuarially determined using the projected benefit method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period.

2. Summary of Significant Accounting Policies (continued)

k) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

i) Tangible capital assets

Tangible capital assets, including land, financed by debt are initially recorded at cost and amortized in the consolidated statement of operations and net assets at an amount equal to the principal repayments of the debt. Other, generally smaller, acquired tangible capital assets are budgeted for and charged to expenses in the consolidated statement of operations and net assets. Assets financed by debentures that are retired prior to maturity are amortized over the remaining expected useful life of the asset.

The tangible capital assets of the Sewage Disposal System and Waterworks System Funds are recorded at cost and amortized over their expected useful life commencing at various times from 2003 onwards, with the Transit System Fund commencing in 2005. Prior to these changes, these assets were expensed based on the funding arrangements. These changes have been applied prospectively.

Cost includes certain interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the tangible capital asset.

ii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. Tangible capital assets acquired under a capital lease are recorded at the amount of the related obligation. These capital leases are amortized based upon the principal portion of the capital lease payments in the consolidated statement of operations and net assets. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iii) Inventories

Inventories are recorded at the lower of cost and replacement cost.

l) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions on such areas as employee benefits, assessment appeals and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

3. Accounts Receivable

	2005	2004
Property, payments-in-lieu and business taxes receivable	$ 37,698	$ 40,436
Allowance for property, payments-in-lieu and business tax arrears	(6,364)	(6,394)
	31,334	34,042
Trade accounts and other receivables	70,114	65,731
Province of Manitoba	27,621	40,222
Government of Canada	10,967	5,435
Allowance for doubtful accounts	(3,272)	(2,889)
	105,430	108,499
	$ 136,764	$ 142,541

4. Investments

	2005	2004
Marketable securities		
Provincial bonds, bond residues and coupons	$ 49,754	$ 58,877
Government of Canada bonds, bond residues, coupons and treasury bills	44,154	40,552
Other	-	3,000
	93,908	102,429
Manitoba Hydro long-term receivable	253,539	262,772
Other investments	2,496	2,818
	$ 349,943	$ 368,019

The aggregate market value of marketable securities at December 31, 2005 is $96.8 million (2004 - $105.7 million).

On February 27, 2002, City Council approved Manitoba Hydro's ("Hydro") proposal to purchase Winnipeg Hydro. The terms of the proposal included annual payments to the City of $25 million per annum commencing in 2002 and for the next four years thereafter; $20 million per annum for years six-nine; and $16 million for years ten in perpetuity.

The Manitoba Hydro investment represents the sum of the discounted future cash flows of the above annual payments to the City discounted at the City's 2002 average long-term borrowing rate of 6%.

5. Notes Payable

	2005	2004
Winnipeg Civic Employees' Benefits Program (Pension Fund)	$ 98,666	$ 157,752
Winnipeg Police Pension Plan	23,572	26,822
The Sinking Fund Trustees of The City of Winnipeg	11,639	64,702
Civic Employees' Group Life Insurance Plan	3,693	1,499
Council Members' (Pre-1972) Pension Plan	-	2
	$ 137,570	$ 250,777

The City finances short-term borrowing requirements from various entities at market rates of interest, which have an effective average interest rate of 2.6% (2004 - 2.2%). These notes are callable by the issuers.

6. Accounts Payable and Accrued Liabilities

	2005	2004
Accrued liabilities	$ 73,365	$ 76,397
Trade accounts payable	53,620	39,332
Accrued interest payable	11,745	14,210
	$ 138,730	$ 129,939

7. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	2005	2004
1990-2005	Oct. 1	11.700	VI	5507/90	$ -	$ 66,424
1999-2009	Feb. 2	5.350	VV	7368/99	50,000	50,000
1989-2009	Dec. 14	10.000	VH	5286/89	85,500	85,500
1993-2013	Feb. 11	9.375	VN	6090/93	90,000	90,000
1994-2014	Jan. 20	8.000	VQ	6300/94	85,000	85,000
1995-2015	May 12	9.125	VR	6620/95	88,000	88,000
1997-2017	Nov. 17	6.250	VU	7000/97	30,000	30,000
					428,500	494,924
Equity in Sinking Fund					(198,965)	(239,831)
Net sinking fund debentures outstanding					229,535	255,093

Other debt outstanding

Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.82% (2004 - 4.79%)	152,726	173,594
Mortgages and bank loans incurred primarily by Winnipeg Enterprises Corporation and Winnipeg Housing Rehabilitation Corporation with varying maturities up to 2021 and a weighted average interest rate of 8.63% (2004 - 8.59%)	41,976	41,451
Capital lease obligations (Note 7c)	23,620	24,702
	$ 447,857	$ 494,840

Debt to be retired over the next five years:

	2006	2007	2008	2009	2010	2011+
Sinking fund debentures	$ -	$ -	$ -	$ 135,500	$ -	$ 293,000
Other debt	29,072	34,913	16,078	17,039	17,964	103,256
	$ 29,072	$ 34,913	$ 16,078	$ 152,539	$ 17,964	$ 396,256

a) Sinking fund assets have a market value of $216.7 million (2004 - $262.2 million). Sinking fund assets are comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of $17.4 million (2004 - $116.7 million) and a market value of $18.9 million (2004 - $120.4 million).

b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002. Future sinking fund arrangements will be managed by the City. The City is currently paying three percent or greater to The Sinking Fund on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

Sinking fund debenture issues provide for full sinking fund at maturity except for the following debenture which, as a result of the levies being provided and the terms of the issue, will have a sinking fund deficiency requiring the issue to be refinanced at maturity.

	Year of Maturity	Debenture By-Law	Issued Amount	Maturity Shortfall
	2009	7368/99	$ 50,000	$ 30,981

7. Debt (continued)

c) Future minimum lease payments under the capital leases together with the balance of the obligation due under the capital leases are as follows:

	Capital Leases
2006	$ 3,299
2007	3,707
2008	3,275
2009	3,378
2010	3,378
Thereafter	30,301
Total future minimum lease payments	47,338
Amount representing interest at a weighted average rate of 9.40%	(23,718)
Capital lease liability	$ 23,620

d) Certain City of Winnipeg debentures were held as investments in the two pension plans for the employees of the City, as follows:

	2005	2004
Winnipeg Civic Employees' Benefits Program (Pension Fund)	$ -	$ 19,000
Winnipeg Police Pension Plan	-	4,000
	$ -	$ 23,000

e) Interest on debt recorded in the Statement of Operations in 2005 is $53.7 million (2004 - $60.2 million).

f) Cash paid for interest during the year is $56.1 million (2004 - $60.9 million).

8. Other Liabilities

	2005	2004 (RESTATED NOTE 21)
Other liabilities	$ 22,554	$ 28,446
Developer deposits	5,259	5,133
	27,813	33,579
Environmental liabilities (Note 18)	14,000	11,000
	$ 41,813	$ 44,579

Included in environmental liabilities is $13.3 million (2004 - $10.1 million) of the estimated total landfill closure and post closure care expenses. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Estimated total expenses represent the sum of the discounted future cash flows for closure and post closure care activities discounted at the City's average long-term borrowing rate of 5.3% (2004 - 6.0%).

Landfill closure and post closure care requirements have been defined in accordance with the **Environmental Act** and include final covering and landscaping of the landfill, pumping of ground, methane gas and leachate management, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a 100 year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated capacity of the City's one remaining landfill, the Brady Landfill Site, is 97% of its total capacity and its remaining life is approximately 100 years, after which perpetual post closure maintenance is required.

8. Other Liabilities (continued)

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2005, the reserve had a balance of $2.1 million (2004 - $1.8 million).

9. Retirement Allowance, Compensated Absences and Other Liabilities

	2005	2004
		(RESTATED NOTE 21)
Retirement allowance – accrued obligation	$ 80,580	$ 75,328
Unamortized net actuarial loss	(9,344)	(5,545)
Retirement allowance – accrued liability	71,236	69,783
Compensated absences	47,808	45,193
Other	10,563	8,993
Retirement allowance, compensated absences and other liabilities	129,607	123,969
Accrued liabilities recorded in the Funds' financial statements	(5,262)	(5,479)
Unfunded retirement allowance, compensated absences and other liabilities (Note 12)	$ 124,345	$ 118,490

Under the retirement allowance plan (including certain sick leave credits) for the majority of employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11.1 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The City measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2005.

Information about the City's retirement allowance benefit plan is as follows:

	2005	2004
Retirement allowance - accrued liability		
Balance, beginning of year	$ 69,783	$ 67,983
Current service cost	3,649	3,636
Interest cost	3,877	3,927
Amortization of net actuarial loss	574	457
Benefit payments	(6,647)	(6,220)
Balance, end of year	$ 71,236	$ 69,783

Retirement allowance expense consist of the following:

	2005	2004
Current service cost	$ 3,649	$ 3,636
Interest cost	3,877	3,927
Amortization of net actuarial loss	574	457
	$ 8,100	$ 8,020

The significant actuarial assumptions adopted in measuring the retirement allowance obligation for the year ended December 31 are as follows:

	2005	2004
Valuation interest rate	4.50%	5.25%
General increases in pay	3.00%	3.00%

10. Tangible Capital Assets

	2005	2004
Tax-supported municipal structures, facilities and initiatives		
Streets and bridges	$ 331,045	$ 332,408
Core area initiative and other special projects	141,923	147,114
Civic accommodations, equipment and other property	128,539	113,496
Land drainage sewers	52,453	53,861
Culture and recreation facilities	52,443	53,453
Public transportation vehicles and facilities	34,141	28,493
Protection facilities	25,229	26,631
Local improvements	9,390	3,973
Health and social development facilities	3,817	4,549
	778,980	763,978
Self-supporting entities		
Sewage collection, treatment and disposal facilities	87,463	82,766
Water supply and distribution facilities	69,869	50,679
Solid waste collection and disposal facilities	6,096	6,291
	163,428	139,736
	$ 942,408	$ 903,714

Capital assets are stated at cost less accumulated amortization. Accumulated amortization at December 31, 2005 is $1,235.3 million (2004 - $1,167.9 million).

Gross tangible capital acquisitions during the year were $182.9 million (2004 - $143.3 million), which was reduced by $44.2 million (2004 - $46.4 million) of internal financing from Reserves and Surpluses.

11. Commitments and Contingencies

The following significant commitments and contingencies existed at December 31, 2005:

a) The City has entered into a number of lease agreements mainly for the lease of accommodations for civic offices and office equipment. Future minimum lease payments are as follows:

	Operating Leases
2006	$ 4,354
2007	3,685
2008	2,829
2009	1,251
2010	1,051
Thereafter	2,487
	$ 15,657

b) The City is a defendant in three significant lawsuits as at December 31, 2005. At this time the ultimate liability is not determinable. Other contingent liabilities consisting of routine claims for street and sidewalk accidents, property damage, etc. will be accounted for as revenue or expense in the period which the settlement occurs.

c) The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2005 is $7.3 million (2004 - $7.8 million).

12. Surplus

Consolidated surplus consists of the following individual fund surpluses/(deficits):

	2005	2004
		(RESTATED NOTE 21)
Appropriated		
Equity in Capital Assets	$ 365,166	$ 335,267
Sewage Disposal System	69,236	40,181
Waterworks System	14,735	9,967
General Capital Fund	5,255	4,474
Transit System	4,897	-
	459,289	389,889
Unappropriated		
Unamortized gain on Winnipeg Hydro sale	253,539	262,772
Waterworks System	63,324	28,502
Fleet Management – Special Operating Agency	24,199	25,320
Solid Waste Disposal	12,130	12,462
CentreVenture Development Corporation	10,980	9,869
General Revenue Enterprises Fund	5,028	5,445
Destination Winnipeg Inc.	1,001	989
The Sinking Fund Trustees of The City of Winnipeg	152	2,135
Other	(223)	(114)
Golf Services - Special Operating Agency	(1,127)	(104)
Glacial Sand and Gravel - Special Operating Agency	(1,415)	(604)
Winnipeg Parking Authority - Special Operating Agency	(1,533)	-
Sewage Disposal System	(5,958)	6,528
	360,097	353,200
Unfunded		
Environmental liabilities (Note 8)	(14,000)	(11,000)
Retirement allowance, compensated absences and other liabilities (Note 9)	(124,345)	(118,490)
	(138,345)	(129,490)
	$ 681,041	$ 613,599

The consolidated surplus represents the City's combined operating and capital fund balances. Separate disclosure of the operating and capital funds has not been presented as this information is not readily available.

Equity in Tangible Capital Assets is included in Net Assets which are determined as follows:

	2005	2004
		(RESTATED NOTE 21)
Non-financial assets	$ 959,861	$ 921,322
Debt (Note 7)	(447,857)	(494,840)
	512,004	426,482
Other surplus and reserve balances	462,721	503,585
Net Assets	$ 974,725	$ 930,067

13. Reserves

Consolidated reserves consist of the following restricted reserves:

	2005	2004
Capital Reserves		
Water Treatment Reserve	$ 73,680	$ 93,191
Environmental Projects Reserve	52,336	51,230
Combined Sewer Renewal Reserve	23,488	25,132
Brady Landfill Site Rehabilitation Reserve	2,114	1,845
Other	1,781	1,649
Golf Course Reserve	1,773	1,714
Watermain Renewal Reserve	1,710	2,005
Library Reserve	1,477	1,821
Computer Replacement Reserve	1,413	1,092
	159,772	179,679
Special Purpose Reserves		
General Purpose Reserve	13,244	14,060
Perpetual Maintenance Fund - Brookside Cemetery	9,891	9,523
Heritage Investment Reserve	8,744	8,888
Insurance Reserve	7,340	6,721
Workers Compensation Reserve	6,887	6,146
Land Operating Reserve	5,975	5,920
Commitment Reserve	4,310	4,174
Contributions in Lieu of Land Dedication Reserve	4,130	2,914
Economic Development Investment Reserve	3,225	5,474
Other	1,842	1,494
Housing Rehabilitation Investment Reserve	1,304	1,138
Assiniboine Park Enterprise Reserve	1,226	1,164
Idea Bank Reserve	907	1,336
Snow Clearing Reserve	–	3,272
	69,025	72,224
Stabilization Reserves		
Fiscal Stabilization Reserve	35,350	34,712
Mill Rate Stabilization Reserve	28,654	27,613
	64,004	62,325
Other Reserves	883	2,240
	$ 293,684	$ 316,468

The change during the year to the Reserves is the result of the following:

	2005	2004
Taxation revenue	$ 28,552	$ 27,728
Interest revenue	9,406	8,992
Other revenue	8,661	8,576
Expended from the Reserves	(15,394)	(12,236)
Net transfer to the operating and capital funds	(54,009)	(14,493)
	$ (22,784)	$ 18,567

14. Taxation

	2005	2004
Municipal and school property taxes	$ 784,395	$ 779,677
Payments-in-lieu of property (municipal and school) and business taxes	42,086	44,117
	826,481	823,794
Payments to Province and school divisions	(435,205)	(439,062)
Net property taxes and payments-in-lieu of property taxes available for municipal purposes	391,276	384,732
Business tax and license-in-lieu of business tax	61,243	60,891
Local improvement and frontage levies	28,136	27,479
Electricity and gas sales taxes	16,826	15,402
Amusement tax and mobile home license	5,916	3,194
	$ 503,397	$ 491,698

The property tax roll includes school taxes of $411.0 million (2004 - $413.5 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Payments-in-lieu of school taxes assessed in 2005 totalled $24.2 million (2004 - $25.6 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province of Manitoba. If property taxes are reduced due to an assessment reduction the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

15. Sales of Services and Regulatory Fees

	2005	2004
Water sales and sewage services	$ 157,764	$ 145,926
Other sales of goods and services	93,226	93,150
Transit fares	55,358	52,529
Regulatory fees	37,859	36,601
	$ 344,207	$ 328,206

16. Government Grants and Transfers

	2005	2004
Province of Manitoba grants		
Tax sharing	$ 49,368	$ 47,343
Ambulance, libraries and other	28,651	24,896
Unconditional	19,488	19,888
Transit	19,355	16,854
Support	9,061	8,496
Support for Provincial programs	(23,650)	(23,650)
	102,273	93,827
Government of Canada grants		
Canada Mortgage and Housing Corporation	147	174
Dutch elm disease program, job training and other	89	99
	236	273
	$ 102,509	$ 94,100

17. Expenses by Object

	2005	2004
		(RESTATED NOTE 21)
Salaries and benefits	$ 511,312	$ 496,048
Goods and services	300,889	285,594
Debt repayment and interest	121,970	129,042
Grants and other expenses	24,662	19,234
	$ 958,833	$ 929,918

18. Environmental Liabilities

In 2005, the City has accrued an overall liability for environmental matters in the amount of $14.0 million (2004 - $11.0 million) which represents management's best estimate of this liability. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

19. Pension Costs and Obligations

a) Winnipeg Civic Employees' Benefits Program

The Program is a multi-employer contributory defined benefit program, providing pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers. Program members are currently required to make contributions of 6.5% of Canada Pension Plan earnings and 7.5% of pensionable earnings in excess of Canada Pension Plan earnings. The City and participating employers are required to make matching contributions. In the event of unfavourable financial experience, Program member and employers contributions can be increased, on an equal basis, to a rate not exceeding 8% of pensionable earnings.

An actuarial valuation of the Program was made at December 31, 2004, which indicated an excess of actuarial value of Program assets over actuarial liabilities of $429.3 million. The Pension Trust Agreement specifies how the excess of actuarial surpluses can be used but does not attribute the excess of actuarial surpluses to individual employers. However, a portion of the excess of actuarial surpluses is allocated to a City Account that the City and other participating employers may use to finance reductions in their contributions.

The balance of the City Account at December 31, 2005 is $125.2 million (2004 - $123.8 million). Total contributions by the City to the Program in 2005 were $11.9 million (2004 - $10.9 million), which were expensed as incurred.

b) Winnipeg Police Pension Plan

Effective January 1, 2003, the City entered into an agreement with its two Police Associations concerning the sharing of surpluses and risks under the Winnipeg Police Pension Plan. Under the terms of the agreement, the existing Regular Account (which financed the Plan's defined pension benefits other than cost-of-living adjustments) and the Supplementary Account (which financed cost-of-living adjustments to pensioners) were merged into a single account and the actuarial surplus was used to fully fund future cost-of-living adjustments on all accrued pension and deferred pension benefits at the rate of 75% of the inflation rate, as well as establish a contribution stabilization reserve to maintain the City's contribution rate at 8% of pensionable earnings, which is the same rate as that at which police employees contribute to the Plan. Future actuarial surpluses, over and above those required to fully fund future cost-of-living adjustments to pensions at 75% of the inflation rate and the contribution stabilization reserve sufficient to maintain the City's contribution rate at 8% of pensionable earnings, will be shared equally between the City and the Plan members. The City will remain responsible for ensuring the financial solvency of the Plan with respect to benefits other than cost-of-living adjustments to pensions.

19. Pension Costs and Obligations (continued)

b) Winnipeg Police Pension Plan (continued)

An actuarial valuation of the Plan was carried out as at December 31, 2004 and the results were extrapolated to December 31, 2005. The principal long-term assumptions on which the valuation was based were: discount rate of 6.25% per year; inflation rate of 2.25% per year; and general pay increases of 3.75% per year. The accrued pension obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the Plan is as follows:

	2005	2004
Pension fund assets, at actuarial value	$ 786,585	$ 742,112
Accrued pension obligations	$ 720,810	$ 685,847
Contribution stabilization reserve	55,361	54,036
	$ 776,171	$ 739,883

The market value of the pension fund assets as at December 31, 2005 is $826.9 million (2004 - $751.2 million).

Total contributions made by the City to the Plan in 2005 were $6.8 million (2004 - $6.9 million). Total employee contributions to the Plan in 2005 were $6.8 million (2004 - $6.9 million). Benefits paid from the Plan in 2005 were $28.8 million (2004 - $25.9 million).

The expected rate of return on Plan assets in 2005 was 6.25% (2004 - 6.25%). The actual rate of return net of investment expenses, on Plan assets in 2005 was 12.1% (2004 - 10.3%).

c) Councillors' Pension Plan

i) Pension Plan Established Under By-law 3553/83

On November 2, 1992, the pension plan provided to members of Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2005, the City paid out $0.3 million (2004 - $0.3 million).

ii) Pension Plan Established Under By-law 7869/01

On November 22, 2000, City Council adopted the policy that effective January 1, 2001, a Council Pension Plan be created for all members of Council for The City of Winnipeg which is consistent with the Civic Employees' Pension Plan.

d) Group Life Insurance Plan

Employees of the City who are members of the Civic Employees' Pension Plan and the Winnipeg Police Pension Plan must become members of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan respectively. These plans provide life insurance coverage for members while employed and coverage can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance coverage. An actuarial valuation indicated that this post-retirement liability is fully funded.

20. Property and Liability Insurance

The City purchases comprehensive insurance coverage for . Insurance Reserve Fund that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year. The balance of the reserve as at December 31, 2005 is $7.3 million (2004 - $6.7 million).

21. Comparative Figures

For 2005, included in the consolidated financial statements is a retroactive restatement for compensated absences resulting from retirement allowance plans as an actuarial valuation was not available until the current year. The 2005 opening surplus has decreased by $6.9 million (2004 - $6.5 million).

In addition, included in the consolidated financial statements is a retroactive restatement for developer deposits that should have been recognized in prior years' revenue when the related expenses were incurred. The 2005 opening surplus has increased by $3.2 million (2004 - $3.4 million).

The effect of the restatements on the statement of operations and net assets for 2005 and 2004 was nominal.

Certain other comparative figures have been reclassified to conform with the current year's presentation.

CONSOLIDATED FINANCIAL STATEMENTS FIVE-YEAR REVIEW

As at December 31 ("$" amounts in thousands of dollars, except as noted)

(Unaudited)	2005	2004	2003	2002	2001
1. Population (as restated per Statistics Canada)	650,100	646,800	642,800	639,800	637,000
Unemployment rate (per Statistics Canada)					
• Winnipeg	4.8%	5.5%	5.2%	5.3%	5.1%
• National average	6.8%	7.2%	7.6%	7.7%	7.2%
2. Average total employees	8,749	8,788	8,385	8,333	8,870
3. Number of taxable properties	201,262	200,193	199,118	198,827	198,252
Payments-in-lieu					
• Number of properties	813	783	872	825	859
4. Assessment					
• Residential	$ 18,460,471	18,277,925	18,069,819	17,803,696	16,950,454
• Commercial and industrial	7,209,121	7,132,230	7,099,635	7,046,756	6,242,499
• Farm and golf	102,742	101,769	104,099	106,062	106,799
	$ 25,772,334	25,511,924	25,273,553	24,956,514	23,299,752
Assessment per capita (in dollars)	$ 39,644	39,443	39,318	39,007	36,577
Commercial and industrial as a percentage of assessment	27.97%	27.96%	28.09%	28.24%	26.79%
5. Tax arrears	$ 37,698	40,436	42,761	47,978	45,283
6. Tax arrears per capita (in dollars)	$ 57.99	62.52	66.52	74.99	71.09
7. Municipal mill rate	29.686	29.686	29.686	29.686	32.140
• Percentage change adjusted for portioning and reassessment	0.00%	0.00%	0.00%	-2.00%	-2.42%
8. Winnipeg consumer price index (annual average)					
• 1992 base year 100	131.20	127.90	125.50	123.30	121.50
• Percentage increase	2.58%	1.91%	1.78%	1.48%	2.88%
9. Consolidated revenue					
• Taxation	$ 503,397	491,698	489,996	484,220	480,974
• User charges	344,207	328,206	318,605	295,893	416,408
• Government transfers	102,509	94,100	97,082	94,026	93,741
• Interest and other revenue	53,378	54,879	55,746	56,769	50,078
• Gain on sale of Hydro	-	-	-	227,476	-
	$ 1,003,491	968,883	961,429	1,158,384	1,041,201
10. Consolidated expenses by function					
• Municipal operations	$ 711,334	681,533	662,902	640,692	627,964
• Public utilities	218,855	217,171	218,246	223,814	324,858
• Civic corporations	28,644	31,214	29,855	30,307	27,758
	$ 958,833	929,918	911,003	894,813	980,580
11. Growth in Surplus for the year	$ 67,442	20,398	46,196	275,655	33,830
(Decline) Growth in Reserves for the year	$ (22,784)	18,567	4,230	(12,084)	26,791

(Note: In 2002, the City conducted a general reassessment which moved from a 1996 level of value to a 1999 level of value.)

(Note: For 2001, the revenue, expenses, change in surplus, and net financial assets (liabilities) figures have not be restated for Centre Venture Development Corporation.)

(Note: For 2003 - 2001, the revenue, expenses, change in surplus, and net financial assets (liabilities) figures have not be restated for compensated absences and developer deposits.)

(Note: The 2001 figures include Winnipeg Hydro's operations.)

CONSOLIDATED FINANCIAL STATEMENTS FIVE-YEAR REVIEW

As at December 31 ("$" amounts in thousands of dollars, except as noted)

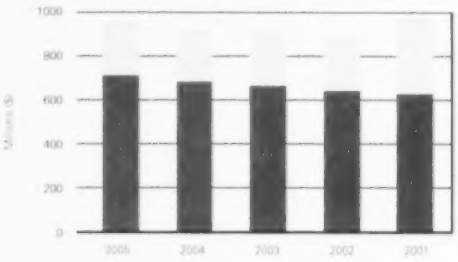
(Unaudited)		2005	2004	2003	2002	2001
12. Consolidated expenses by object						
• Salaries and benefits	$	511,312	496,048	465,442	433,185	437,557
• Goods and services		300,889	285,594	290,573	283,703	340,983
• Debt interest and repayment		121,970	129,042	133,537	143,856	176,253
• Grants and other expenses		24,662	19,234	21,451	34,069	25,787
	$	958,833	929,918	911,003	894,813	980,580
13. Payments to school authorities	$	435,205	439,062	425,053	414,140	395,404
14. Debt						
• Tax-supported	$	429,287	486,790	489,974	576,659	631,332
• Transit		27,520	35,092	33,606	38,007	42,607
• City-owned utilities		151,700	175,050	177,429	204,833	419,957
• Other		38,315	37,739	39,372	39,890	40,892
• Total gross debt		646,822	734,671	740,381	859,389	1,134,788
• Less: Sinking Fund		198,965	239,831	245,709	363,097	405,865
• Total net long-term debt	$	447,857	494,840	494,672	496,292	728,923
Percentage of total assessment		1.74%	1.94%	1.96%	1.99%	3.13%
15. Acquisition of tangible capital assets						
Gross purchase	$	182,872	143,286	164,384	157,511	135,693
Less: internally financed						
• Combined Sewer Renewal		21,163	16,290	15,398	18,074	16,957
• Watermain Renewal		7,299	6,281	6,541	8,964	7,940
• Sewage Disposal System		6,815	5,019	4,514	3,412	3,749
• Other		6,377	6,553	3,837	2,681	1,709
• Waterworks System		1,335	3,115	1,080	1,635	1,601
• General Revenue		718	347	5,072	3,900	4,645
• Aqueduct Rehabilitation		416	1,120	3,458	8,242	5,659
• Transit Bus Replacement		-	5,499	9,237	4,865	3,686
• General Purpose		-	1,192	4,170	-	-
• Environmental Projects		-	950	1,187	935	453
• Frontage levies		-	-	-	10,000	-
• Equipment and Material Services		-	-	-	301	6,727
		44,123	46,366	54,494	63,009	53,126
	$	138,749	96,920	109,890	94,502	82,567
16. Net financial assets (liabilities)	$	14,864	8,745	(46,874)	(98,690)	(576,326)
17. Reserves and Surplus						
• Reserves	$	293,684	316,468	297,901	293,671	305,755
• Surplus	$	681,041	613,599	596,284	550,088	270,076
18. Area in acres at the end of the year		116,000	116,000	116,000	116,000	116,000
19. Construction						
• Permits issued		8,931	8,977	8,344	8,719	7,938
• Value	$	656,350	674,619	649,071	427,028	372,969
Housing starts		2,177	2,335	2,208	1,451	1,290

CONSOLIDATED FINANCIAL STATEMENTS FIVE-YEAR REVIEW

As at December 31

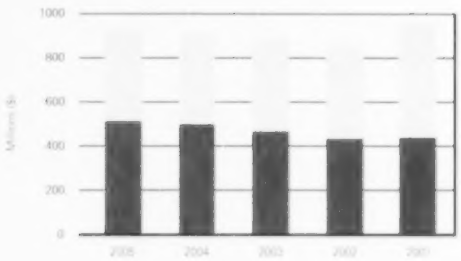
Consolidated Expenses by Function (1)

- Civic Corporations
- Public Utilities
- Municipal Operations



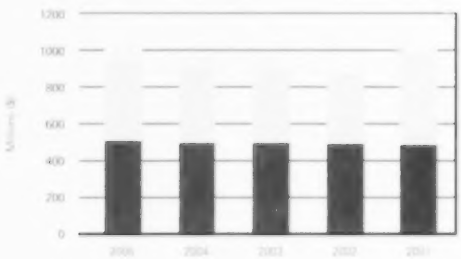
Consolidated Expenses by Object (1)

- Grants and Other Expenses
- Debt Interest and Repayment
- Goods and Services
- Salaries and Benefits

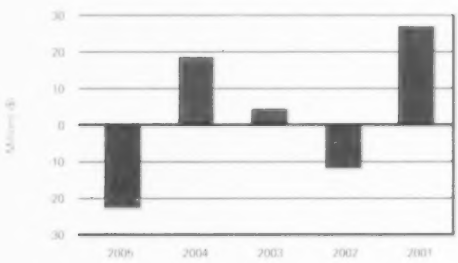


Consolidated Revenues by Source (1 and 2)

- Interest and Other Revenue
- Government Transfers
- User Charges
- Taxation



(Decline) Growth in Reserves for the Year

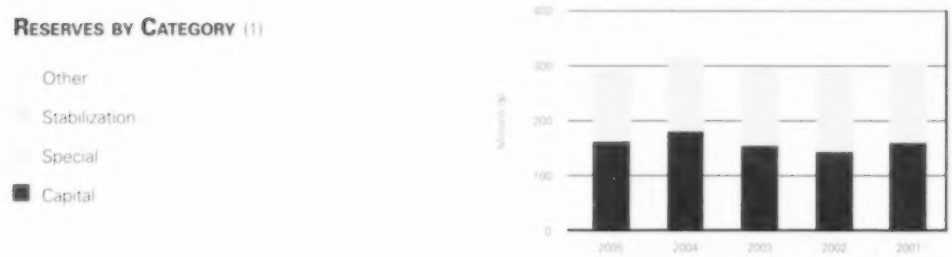


(1) Figure for 2001 exclude CentreVenture Development Corporation and include Winnipeg Hydro.
(2) Excludes the gain on sale of Winnipeg Hydro in 2002.

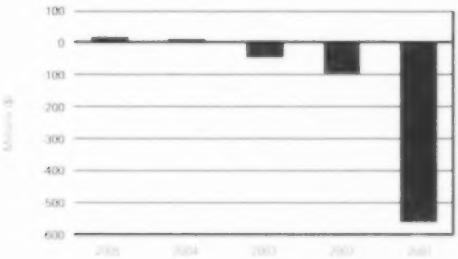
CONSOLIDATED FINANCIAL STATEMENTS FIVE-YEAR REVIEW

As at December 31

Reserves by Category (1)



Net Financial Assets (Liabilities)



Principal Corporate Taxpayers

	Total 2005 Municipal and Business Taxes (in millions of dollars)
Ontrea Inc.	$ 3.5
Centra Gas (Manitoba) Inc.	$ 3.3
OPB Realty (St. Vital) Inc.	$ 2.8

City of Winnipeg Facts

- Average summer temperature: 25.4 C
- Hours of sunshine per year: 2,372
- Golf courses: 24
- Average housing price: $143,647
- Average two bedroom apartment rent: $683

PROFESSIONAL SPORTS TEAMS:

- Canadian Football League team - Winnipeg Blue Bombers
- American Hockey League team - Manitoba Moose
- Northern Baseball League team - Winnipeg Goldeyes

MAJOR ARTS ORGANIZATIONS:

- Canada's Royal Winnipeg Ballet - internationally renowned
- Winnipeg Symphony Orchestra - host of the New Music Festival
- Manitoba Theatre Centre - oldest regional English language theatre in Canada
- Winnipeg Art Gallery - largest collection of Inuit art in the world
- Manitoba Museum - a Michelin Guide four star attraction

UNIVERSITIES AND COLLEGES ENROLMENTS:

- University of Manitoba 28,049
- University of Winnipeg 8,778
- St. Boniface College (French) 1,000
- Red River College 31,312

Photos Captions

Cover main photo: foreground St. Boniface Cathedral ruins; background the Forks and part of Downtown
Cover L to R: Fringe Festival Street Performer, PHOTO COURTESY OF DESTINATION WPG, PHOTO BY Millennium Library, PHOTO CITY OF WINNIPEG, Sunset at Donald and Portage, PHOTO COURTESY OF DESTINATION WPG, RAYMOND BARR, Lion at the Winnipeg Zoo, PHOTO CITY OF WINNIPEG, Esplanade Riel, PHOTO COURTESY OF DESTINATION WPG, POTVIN CA, Skate boarder, PHOTO DAN REITER, Downtown at Night, PHOTO COURTESY OF RENE DROUIN, NETHERLANDS, Winter Skating in St. Vital Park, PHOTO COURTESY OF DESTINATION WPG, TOBIAS REHARPER, Millennium Library, PHOTO DOMAH DESIGN INC.

Back Cover L to R: River Walk, PHOTO COURTESY OF THE FORKS, Lions at the Winnipeg Zoo, PHOTO CITY OF WINNIPEG, Festival du Voyageur, PHOTO COURTESY OF FESTIVAL DU VOYAGEUR, Holiday lights street display, PHOTO CITY OF WINNIPEG, Snow boarder at Van Walleghem School, PHOTO COURTESY OF DAN ZOLOMON, Innovation Drive in the Winter, PHOTO COURTESY OF DESTINATION WPG, KA CHANG, Seniors in St. Vital Park, PHOTO COURTESY OF DESTINATION WPG, EMILY PRUDHOMME, Winnipeg Symphony Orchestra, PHOTO COURTESY OF WINNIPEG SYMPHONY ORCHESTRA, Ball Park, PHOTO COURTESY OF WINNIPEG GOLDEYES, English Garden at Assiniboine Park, PHOTO COURTESY OF DESTINATION WPG, J. R. JOHNSON, Racing at Assiniboia Downs, PHOTO COURTESY OF SCOTT WINDSOR PHOTOGRAPHY, MTS Centre, PHOTO MIKE GRANDMAISON, Basketball league, PHOTO COURTESY OF GAMBIA, Banjo Player at The Forks, PHOTO COURTESY OF DESTINATION WPG, J. MCLELLAN, Valour Road Memorial, PHOTO COURTESY OF DAVID WAGNER, Bears on Broadway, PHOTO COURTESY OF PAUL GANCZAK, Cheering crowd, PHOTO COURTESY OF WINNIPEG GOLDEYES, Peacock at the Winnipeg Zoo, PHOTO COURTESY OF CLARION CHINESE, CFL Football, PHOTO COURTESY OF WINNIPEG BLUE BOMBERS, Folklorama, PHOTO COURTESY OF FOLK ARTS COUNCIL OF WPG

Inside: PAGE 7 Mayor, PHOTO STEVE SALNAVOSKI, PAGE 8 CAO, PHOTO STEVE SALNAVOSKI, PAGE 9 & 10 Millennium Library, PHOTO DOMAH DESIGN INC., Esplanade Riel, PHOTO COURTESY OF DESTINATION WPG, POTVIN CA, Valour Road Memorial, PHOTO COURTESY OF DAVID WAGNER, English Garden at Assiniboine Park, PHOTO COURTESY OF DESTINATION WPG, J. R. JOHNSON, Skate boarder, PHOTO DAN REITER, Bears on Broadway, PHOTO COURTESY OF PAUL GANCZAK, Manitoba Hydro Building, RENDERING COURTESY OF MANITOBA HYDRO, PAGE 11 Sturgeon Creek at Portage Ave., PHOTO COURTESY OF DESTINATION WPG, ANTHONY FERNANDEZ, PAGE 12 CFO, PHOTO STEVE SALNAVOSKI

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